

A Note on the Paper by Alan Goodacre

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In the issue no.41 of the PAER Alan Goodacre published an interesting paper entitled "What would post-autistic foreign trade policy be?". In it he argues convincingly that the diverse recent criticisms of an undiluted free trade dogma are important and will obtain increasing importance in spite of or even because of increasing globalisation. He then gives a good and concise summary of the different theoretical attacks on the free trade argument showing that depending on circumstances some barriers to trade can yield superior welfare results than an uncritical free trade policy because of their effects on both the size and the distribution of income. What also emerges clearly from his paper is that the choice of an optimal foreign trade policy is a complicated matter in which different arguments have to be carefully considered. Both the introduction of regulations and the denial of regulations can lead to welfare losses when they are not carefully analysed.

Goodacre presents the problem and the choice difficulties from the point of view of a single nation which acts on the basis of its own national self-interest. This is suitable and realistic starting point. But it has to be supplemented – when the aim is to reach practical policy conclusions – by a recognition and consideration of the interrelationship of national trading policies which is important and will become steadily more important with the spreading globalisation. Trade policies following only a narrowly defined national self-interest are bound to lead to clashes and could easily be self-defeating. Indeed the charm of the undiluted free trade ideology is that it seems to prevent such unintended deteriorations following from uncoordinated national policies and policy fights. The disadvantage of this simple rule is however that nothing can be done to eradicate the negative consequences which follow from such an uncritical application of free trade without considering the very uneven needs and developments in different countries.

The correct and useful message that the traditional free trade theorem and its welfare promises cannot be accepted must be supplemented by new international agreements and institutions to make sure that national improvements of trade policies take account of their effects on other countries. Just as in the Bretton Woods days countries accepted the idea that – in contrast to the gold standard – countries might benefit from manipulating the exchange rate, but agreed that this should be done in a coordinated way to prevent "beggar-my-neighbour" policies, it will be necessary to provide similar provisions in a world in which trade policy will be recognised as a positive policy element.

Thus one could imagine that a reformed World Trade Organization would no longer police trade relations with a free market world as the generally valid benchmark, but would act as a mediator in international relations when a country or region finds it necessary or desirable to introduce some regulations in its foreign trade policy. Such changes would have to be put before such a WTO to be discussed and possibly modified with regard to contents or duration when other nations are threatened by serious repercussions. The main difference to the present situation would be that the discussions and decisions would not be guided by the assumption that preventing or abolishing national trade interventions are the obvious best choice. They would recognise the existence of useful regulations as a normal matter though needing cooperation because of their global interrelationship. Such a WTO procedure could be supplemented by a right for every state to adopt limited and/or temporary autonomous

trade policy actions when international trade shocks create immediate and serious setbacks to the economy.

There are of course also other possible arrangements which could be made to deal with the aim to foster a system of positive trade policies and their international compatibility. The main problem today is however that it will not be easy to overcome the dominance of the free trade argument as the guiding principle. The new technical and organizational possibilities have led to an enormous increase in the development and influence of globally acting transnational companies and financial concerns which have a strong interest in a principally free field for their global strategies irrespective of the fact that they have no inhibitions to demand and accept special national concessions in individual cases. These interests which are basic to the dominating neoliberal ideology would have to be met by sufficiently strong countervailing powers if a new trade policy ideology and trade policy practice is to have a chance of general realization.

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